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S E C R E T SECTION 01 OF 02 KUALA LUMPUR 000361

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TAGS: [PREL](#) [PGOV](#) [ECON](#) [KDEM](#) [MY](#)
SUBJECT: SCENESETTER FOR FM ANIFAH'S VISIT TO WASHINGTON

REF: KUALA LUMPUR 351 - MEETING WITH FOREIGN MINISTER

Classified By: AMBASSADOR JAMES R. KEITH, REASON 1.4 (B AND D).

Summary and Introduction

¶1. (S) Foreign Minister Anifah Aman's visit to Washington May 14 to meet with Secretary Clinton is a clear signal of the priority new Prime Minister Najib places on improving U.S.-Malaysia ties. Najib is a more pragmatic and action-oriented leader, and more inclined to move Malaysia away from Mahathir-era antagonism toward the West than his predecessor Abdullah Badawi. This shift opens new opportunities over time to identify and work together on a broader range of shared foreign policy priorities. Malaysia will be tempted to seek better relations largely through improved rhetoric; the challenge for us will be to elicit meaningful actions on priorities such as non-proliferation, trafficking in persons, and free trade, and tangible contributions to international institutions such as the IAEA. Domestically, Najib's recognition that economic reforms are needed to keep Malaysia competitive presents clear opportunities for our trade and investment agenda, but prospects for democratic reforms are uncertain. Against the backdrop of a contracting domestic economy, rising public expectations for better governance, and a resurgent political opposition, Najib will struggle to find ways to regain voter support while maintaining his party's tight control over state levers of power, setting the stage for continued political discord at home. End Summary and Introduction.

Najib Seeks Better Ties

¶2. (S) Malaysia's new Prime Minister Najib Razak has dispatched his Foreign Minister Anifah Aman to meet with the Secretary May 14, the first official visit to Washington by a Malaysian Foreign Minister in nearly eight years. Anifah's early mission to Washington signals the priority Najib places on improving U.S.-Malaysia ties. Meeting with Ambassador Keith hours before his departure to the U.S. (reftel), the Foreign Minister endorsed strengthened relations with Washington and warmly referenced the Secretary's earlier congratulatory telephone call. In sharp contrast to his predecessor, Anifah appears eager to discuss ways to work positively with us on international challenges like piracy and Afghanistan.

¶3. (S) Anifah is new to the world stage, and we expect Najib to have a far larger and more direct influence on foreign policy than did his predecessor Abdullah. Compared with Abdullah, Najib has a more complete sense of international politics and Malaysia's place in the region and the world, and places significant priority on foreign relations beyond the Non-Aligned Movement (NAM) and the Organization of the Islamic Conference (OIC), the traditional reference points for Malaysia's foreign policy. It would be inapt to describe

Najib as pro-West, but the UK-educated Prime Minister readily recognizes the benefits to Malaysia of engaging the U.S., along with the emerging powers China and India, and of participating in international institutions.

Potential for More Meaningful Actions

¶4. (S) While Malaysia is unlikely to change dramatically its traditional NAM-centric approach to foreign policy (which leads Malaysia to vote opposite the U.S. position on almost all important UN issues), there are prospects for identifying and working together over time on a greater number of shared foreign policy priorities. Malaysia will be tempted to seek better relations with us largely through improved rhetoric and increased contacts; the challenge for us is to elicit meaningful actions on issues that matter to us such as non-proliferation, Iran's nuclear program, trafficking in persons, free trade, and support for international institutions. U.S. support for Malaysia joining the Somalia anti-piracy Contact Group represents a useful start to moving Malaysia toward more engagement in multilateral security structures. Malaysia is a leading member of ASEAN, and could play a positive role (or act as a spoiler) in Southeast Asian conflict resolution and ASEAN's approach to Burma.

The Broader Relationship in Place

¶5. (C) Robust trade and investment ties remain the solid foundation of our relationship, with Malaysia standing as our 16th largest trading partner. Malaysians pragmatically value

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their defense relationship with the U.S. military. Overall mil-mil engagement has advanced over the last several years, including notable increases in U.S. naval visits and professional exchanges. Malaysia actively contributes to UN peace-keeping and is positioning itself as a regional humanitarian response hub. We have successfully fostered a partnership between our coast guards. The GOM has been an important partner on counterterrorism when it serves Malaysia's own security interests, and we enjoy expanding law enforcement cooperation, especially in recent times as we have engineered means of overcoming Guantanamo-related issues. Our people-to-people ties build on decades of Malaysian students studying in America. The emergence of new administrations in both our countries provides expanded opportunities to pursue vigorous public outreach to often skeptical Muslim Malay audiences. Given its biodiversity, we have included Malaysia in regional environmental initiatives to protect rainforests and coral reefs. Modest levels of carefully targeted foreign assistance help us leverage our policy priorities.

Global Financial Crisis and Economic Reforms

¶6. (SBU) Malaysia's economy is in recession and its Central Bank does not expect the economy to rebound until the fourth quarter of 2009, primarily because of the continuing decline in exports. . Malaysia issued two fiscal stimulus packages worth a total of USD 19 billion so far and has signaled it would do more if needed. The stakes are high. For his political future, Najib must ensure that the economy continues to provide growth and prosperity to a large middle class. Najib's recognition that economic reforms are needed to keep Malaysia competitive presents clear opportunities for our trade and investment agenda. Last month he announced reforms in the services sector to some race-based equity requirements, long considered by analysts to be the bane of economic growth. The PM also announced some liberalization in the financial services sector. Though of limited immediate economic impact, these reforms send a powerful message that ethnic Malays increasingly will have to compete on a level playing field with other races in Malaysia, and,

perhaps over time, with foreign competitors. Malaysia continues to signal its desire to continue negotiating a bilateral Free Trade Agreement which got underway in 2006; although the new trade minister has expressed an interest in achieving an agreement, significant obstacles remain.

Political Discord at Home

17. (S) Najib came to power in the midst of uncharacteristic domestic political discord that raises long-term questions regarding the continued dominance of his ruling UMNO party, which has held power since independence in 1957. Najib must contend with rising public expectations for better governance and a resurgent political opposition. More so than on the economic front, Najib will find it difficult to identify and implement popular political reform measures while still maintaining UMNO's tight control over state levers of power. With a weakened ruling coalition, an immature opposition, and a more sophisticated electorate with access to greater information, Malaysia's polity is struggling to adjust to a new and more competitive political environment. At present this generates a situation of friction and some discord, but over the long term Malaysia should find itself with a system of greater checks and balances, and a stronger democracy.

KEITH